

ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

RECEIVED

NOV - 5 1996

Federal Communications Commission
Office of Secretary

In the Matter of)
)
Implementation of the)
Telecommunications Act of 1996:)
)
Reform of Filing Requirements)
and Carrier Classifications)
)
Anchorage Telephone Utility, Petition for)
Withdrawal of Cost Allocation Manual)

CC Docket No. 96-193

DOCKET FILE COPY ORIGINAL

AAD 95-91

REPLY COMMENTS OF BELL ATLANTIC

**The Bell Atlantic Telephone
Companies**

By their Attorney

Edward D. Young, III
Michael E. Glover
Of Counsel

Lawrence W. Katz

1320 North Court House Road
Eighth Floor
Arlington, Virginia 22201
(703) 974-4862

November 5, 1996

No. of Copies rec'd 0+11
List ABCDE

SUMMARY

The Commission should eliminate the cost allocation manual ("CAM") filing requirements as unnecessary for price cap companies. Cost allocations are irrelevant for companies whose rates are not tied to costs. Even if the Commission retains the CAMs, it should not and legally may not require filings that are more frequent than annual. The statute is clear, and there are no exceptions, as two of the parties claim. The Commission must, therefore eliminate the sixty-day advance notice requirement for CAM changes. Any informal staff notification of cost allocation changes must be on a voluntary basis.

Any CAM and ARMIS reporting requirements should apply equally to all local exchange competitors that meet the minimum revenue threshold. In a competitive environment, the Commission should subject all providers to the same reporting requirements and not favor one class of carriers over another. The best policy would be to eliminate the reports entirely in competitive markets.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
Implementation of the)	
Telecommunications Act of 1996:)	CC Docket No. 96-193
)	
Reform of Filing Requirements)	
and Carrier Classifications)	
)	
Anchorage Telephone Utility, Petition for)	AAD 95-91
Withdrawal of Cost Allocation Manual)	

REPLY COMMENTS OF BELL ATLANTIC¹

The Commission should eliminate the requirement for price cap local exchange carriers, particularly those carriers that have elected the no-sharing option, to file Cost Allocation Manuals ("CAMs"), as several parties urged in their comments.² By breaking the link between rates and costs, price cap regulation has made cost allocations irrelevant to setting rates. CAMs are a regulatory relic of a bygone rate of return era that impose significant costs but produce no public benefit. Nevertheless, to the extent the Commission chooses to retain any form of CAM filing requirements, it should structure its rules to permit the rapid introduction of new services without imposing advance filing requirements that are inconsistent with the 1996 Act.

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² See, e.g., BellSouth at 2-4, Ameritech at 2, Cincinnati Bell at 7.

In particular, the current requirement to make CAM changes public sixty days in advance of providing a new service is affirmatively anticompetitive and should be eliminated. This requirement gives competitors advance notice of new unregulated offerings and allows them to adjust their marketing and advertising strategies to undercut the new services before they are allowed to be offered. Moreover, as most parties showed, advance notice is more than just unsound policy, it also violates the 1996 Act.³ This is because a mandatory advance CAM filing would result in more than one filing each year, and the Commission is prohibited from requiring more frequent filings.⁴

MCI argues, however, that the Commission has the right to order more frequent filings in order to guard against cross-subsidization.⁵ Putting aside the substantive fallacy of MCI's argument -- price caps themselves eliminate the need to scrutinize the allocation of costs by eliminating any possible incentive or ability to misallocate costs to begin with -- MCI is simply wrong on the law. The statute says that the Commission must allow carriers to file CAMs annually. It does not say that they are to be filed annually unless the Commission decides to require more frequent filings. Accordingly, the Act itself forecloses the more frequent filings that MCI demands.

Similarly, Sprint claims that the notice period will enable the Commission to ensure that the CAM properly reflects the carrier's new ventures and changes in the carrier's

³ *See, e.g.*, NYNEX at 2, Southwestern Bell at 2, Bell Atlantic at 1-2.

⁴ P.L. 104-104, § 402(b)(2) (1996) ("The Commission shall permit any common carrier ... (B) to file cost allocation manuals and ARMIS reports annually.").

⁵ MCI at 3-4.

accounting.⁶ Even though there is no regulatory need for such information in a price cap environment, an annual CAM filing will accomplish this. And, again, the statute simply does not allow the Commission to require CAM filings to be made more frequently than annually.

Southwestern Bell suggests that, instead of requiring more frequent CAM filings, the Commission might require that a carrier submit an informal letter to the Accounting and Audits Division at the time changes are implemented to notify the staff of planned changes.⁷ Bell Atlantic does not object to the Commission encouraging such informal notifications.⁸ However, under the Act the Commission may not impose a requirement that a CAM filing be made more frequently than once each year. Therefore, should the Commission adopt Southwestern Bell's proposal, it should be adopted only as a voluntary, informal notification.

The Commission should deny Sprint's request that the proposed ARMIS rule changes be amended to include the particular ARMIS report number covered by each rule section. Codifying the report numbers would make it more difficult and time-consuming to streamline the reporting requirements as competition evolves. If the rules only state the general reporting requirements, as proposed, but are silent on the specific report that includes the information, the staff may, without a rulemaking, combine and simplify reports and eliminate redundant filings. In order to provide the notice that Sprint seeks without codifying the report

⁶ Sprint at 2.

⁷ Southwestern Bell at 5-6.

⁸ It is Bell Atlantic's practice to keep the Commission fully apprised of relevant changes to its operations.

numbers, the Common Carrier Bureau could publish a cross-referenced list of current ARMIS reports and the applicable rule numbers covered by each report.

Finally, contrary to the claims of TCG, the Commission should apply any CAM and ARMIS reporting rules to all carriers with revenues that exceed the reporting threshold and not just incumbent local exchange carriers.⁹ There is no justification for imposing onerous and expensive reporting requirements on one set of competitors and exempting others. The result would be to handicap the race by giving one competitor an artificial advantage. Consequently, while the preferable result would be simply to exempt all competitors from the reporting obligations, if they are to be imposed on one set of carriers, they should be imposed equally on all competitors.

Respectfully Submitted,

**The Bell Atlantic Telephone
Companies**

By their Attorney


Lawrence W. Katz

Edward D. Young, III
Michael E. Glover
Of Counsel

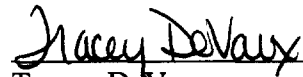
1320 North Court House Road
Eighth Floor
Arlington, Virginia 22201
(703) 974-4862

November 5, 1996

⁹ Teleport Communications Group at 2-4.

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of November, 1996 a copy of the foregoing "Reply Comments of Bell Atlantic" was sent by first class mail, postage prepaid, to the parties on the attached list.


Tracey DeVaux

* Via hand delivery.

Ernestine Creech*
Common Carrier Bureau
Federal Communications Commission
2000 L Street, NW
Suite 257
Washington, DC 20554

ITS, Inc.*
1919 M Street, NW
Room 246
Washington, DC 20554

(Hard copy and diskette version)